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Development agreement on outlet mall expires

Mayor shares frustration

By Lance Armstrong Citizen Staff Writer Dec 12, 2018

A four-year development agreement between the city of Elk Grove and the developer of Elk Grove's long awaited outlet mall at Highway 99 and Kammerer Road has expired.

According to details provided by the city, the agreement was signed in November 2014, with tax sharing provisions contingent upon the opening of the initial phase of the project.

The first phase features a 400,000-square-foot portion of the mall site and 21 tenants.

The city told the Citizen last week that the agreement expired on Nov. 21.

A decade has passed since construction on the mall ceased, and the developer, The Howard Hughes Corp., has continued to delay the project, which has been nicknamed the "ghost mall" by locals.

In the latest delays, the developer allowed plans for the opening of the mall to expire after announcing them with signs on the property.

The signs said the mall would open in the fall of 2017 and later promised an opening in the fall of 2018.

Howard Hughes continues to own the property, which remains zoned for a regional mall.

With the development agreement's expiration, Howard Hughes, as the property's owner, can ask the city to consider entering into a similar or different project agreement for the property or sell the property to another owner.

Howard Hughes also has the right to simply keep the property for future development.

Elk Grove City Attorney Jonathan Hobbs told the Citizen last week that he is unaware of any recent communication between the city and the developer regarding the expired development agreement.

Hobbs added that he does not know what will happen with the property.

“There are just a lot of unknowns,” he said. “The agreement has expired near the end of November, and until Howard Hughes tells us what they plan to do with the property, we’re just left speculating. And I just don’t know what they’re going to do.”

Last July, Elk Grove Mayor Steve Ly called for the completion of the mall, saying he is increasingly frustrated with the project’s inactivity.

Ly told the Citizen that the lack of progress on the mall project inspired him to run for City Council four years ago.

“I was tired of seeing that mall being vacant and just being an eyesore,” he said.

Ly stated that Hobbs will probably brief the Council on current options for the property.

The mayor added that the city of Elk Grove needs to ask Howard Hughes “some serious questions.”

In the past, Ly has said the Wilton Rancheria’s proposed casino-resort, adjacent to the mall site, should serve as a catalyst for the mall to be built.

However, he noted that Howard Hughes has not made a statement supporting the approach.

“They haven’t made it clear that’s the case,” he said. “All throughout this process, they’ve always said that they are going to be building the mall.”

The mayor noted that he plans to take a firm approach on the mall issue.

“I want the mall sooner than later, and if (Howard Hughes) can’t do the mall, then you’ve got to move out of the way so that we can do something else.”

Ly stressed that the average Elk Grove resident has the inaccurate perception that the city controls the mall issue.

“That (perception) isn’t really accurate,” he said. “The truth of it is that Howard Hughes has control of it. They have investors that are in control of what actually happens.”

Ly also expressed frustration with the signs that announced the coming of the mall last year and this year.

"For me, as the mayor, it's frustrating," he said. "I see that and I'm, 'OK, so, are you guys joking with us or are you serious about this? Because if you're serious, then build it. The permits are waiting for you at City Hall' – waiting for Howard Hughes to pick up – but they won't pick it up."

"To me, that indicates that there are other powers in the mix that are pulling them away from it."

The mayor stressed that he is not concerned about any other Howard Hughes projects that may be getting in the way of the project's completion.

"In my communication with them, this is the only project that I care about," he said. "I don't care about any of their other projects. This is my community. This is the eyesore that I've been driving by for the last 10 years."

"So, for me, I have to act selfishly in the interest of Elk Grove. With that being the case, we will consider all options with the development agreement expiring."

A representative of Howard Hughes Corp. could not be reached for comment, as of press time.